

1                   WASTE AND ABUSE IN NATIONAL GUARD  
2                   SPONSORSHIP AND MARKETING CONTRACTS

3                                   - - -

4                                   THURSDAY, MAY 8, 2014

5                                                           United States Senate,  
6           Committee on Homeland Security and Governmental Affairs,  
7                   Subcommittee on Financial and Contracting Oversight  
8                                                           Washington, D.C.

9           The Subcommittee met, pursuant to notice, at 3:05 p.m.,  
10   in Room 342, Dirksen Senate Office Building, Hon. Claire  
11   McCaskill, Chairman of the Subcommittee, presiding.

12           Present: Senators McCaskill and Johnson.

13                                   OPENING STATEMENT OF SENATOR MCCASKILL

14           Senator McCaskill. Good afternoon. Thank you for  
15   being here.

16           Before I do anything else, I am going to turn off my  
17   phone because if I do not it will ring.

18           This hearing will now come to order.

19           Before I say anything else about the topic that is in  
20   front of us today, I want to state for the record that I  
21   really like NASCAR, and I love the National Guard more than  
22   I like NASCAR.

23           So this hearing is not about demonizing NASCAR or the  
24   National Guard. This hearing is simply about return on  
25   investment of Federal tax dollars, whether or not Federal

1 money is being used wisely for the intended purpose and  
2 getting the result desired as a result of that investment.

3 Every year, the Army National Guard, like all military  
4 services, sets a recruiting goal before beginning to recruit  
5 thousands of new soldiers to meet its force requirements.  
6 The Army National Guard attempts to meet its goals, in part,  
7 by sponsoring professional sports teams.

8 This year, the Guard will spend over \$56 million on  
9 sports marketing like NASCAR and IndyCar. The Guard's  
10 contract with NASCAR alone amounts to \$32 million. The Army  
11 National Guard spends 37 percent of its marketing and  
12 advertising budgets on sports sponsorships.

13 According to one National Guard recruiting official,  
14 however, not a single National Guard soldier was recruited  
15 from the NASCAR sponsorship program in 2012 and the program  
16 generated fewer than 8,000 leads in 2013. That may sound  
17 like a lot, but it is a far cry from the one million leads  
18 the National Guard has estimated that it needs in order to  
19 meet its recruiting goal.

20 One reason these sponsorships may not be generated  
21 leads is they may not be reaching the right demographic,  
22 which for the National Guard is primarily young adults  
23 between the ages of 18 and 24. Only 10 percent of NASCAR's  
24 viewers are between 18 and 24, and the average age of an  
25 IndyCar fan is between 35 and 54.

1           I am a fan of NASCAR myself, but I do not think this is  
2 exactly the demographic that the National Guard is aiming  
3 for.

4           Other sponsors for NASCAR include soda companies, fast  
5 food restaurants and gas stations, but the decision to wear  
6 the uniform is much more complicated than choosing a Coke or  
7 a Pepsi.

8           Partly for these reasons, the Guard has recently begun  
9 to characterize its sponsorship of NASCAR and IndyCar teams  
10 as "branding" rather than recruiting.

11          The National Guard has told the Subcommittee that it  
12 relies on its relationships with NASCAR and IndyCar to  
13 promote awareness and appreciation of the Guard brand,  
14 generally.

15          However, widespread disagreement exists in the  
16 marketing industry over how to value the impressions,  
17 meaning the number of people who view an advertisement and  
18 the number of times they view it that are necessary to build  
19 and maintain a brand. In part, because of this difficulty  
20 in tracking the effectiveness and value of brand  
21 advertising, the private sector trend has been to move away  
22 from spending on simply brand awareness.

23          The Army, the Navy, the Marine Corps and the Coast  
24 Guard, all of which used to sponsor NASCAR, have all decided  
25 to end these programs.

1           The regular Army ended its sponsorship with NASCAR in  
2 2012 after concluding that the program had the highest cost  
3 per lead in the Army's portfolio of sponsorships. The Army  
4 also cited the fact that only a small portion of the NASCAR  
5 audience fell within its target demographic.

6           The Marine Corps made the same decision in 2006 when it  
7 determined that the cost per impression of sponsoring a  
8 NASCAR team was almost impossible to measure.

9           The Navy ended its own sponsorship of NASCAR in 2008  
10 because the program was too expensive compared to the  
11 marketing benefit it received.

12           And the Coast Guard ended their relationship with  
13 NASCAR in 2006 due to the cost of the sponsorship and only  
14 generating 350 leads for their \$9.6 million investment.

15           As I stated in February, when examining the Guard's  
16 recruiting assistance program, I understand that aggressive  
17 recruiting is the key to maintaining the strength of our  
18 military.

19           The Congress has a responsibility to ensure that every  
20 taxpayer dollar spent produces measurable results. In this  
21 environment of dwindling recruiting budgets, I want to  
22 understand why the Army National Guard has maintained sports  
23 sponsorships that fail to reach target recruiting  
24 demographics and also provides less value per dollar than  
25 other forms of marketing.

1           In preparation for this hearing, the Subcommittee  
2   received documents and information related to the National  
3   Guard's marketing and sponsorship contracts and their  
4   effectiveness.

5           I ask unanimous consent that these documents be  
6   included in the public hearing record. Without objection,  
7   they will be added to the record.

8           [The information follows:]

9           / SUBCOMMITTEE INSERT

1           Senator McCaskill. Today, I want to explore the Army  
2 National Guard's rationale for continuing its sponsorship of  
3 professional sports programs and discuss whether spending  
4 solely to promote "brand awareness" is an effective use of  
5 taxpayer money.

6           I also want to discuss how the Guard measures the  
7 effectiveness of its marketing relationships with NASCAR,  
8 IndyCar and other organizations.

9           And, finally, I want to ask whether officials inside  
10 the Guard may have abused these relationships and the steps  
11 the Guard has taken to prevent any such abuses from  
12 occurring.

13           I thank the witnesses for being here, and I look  
14 forward to their testimony.

15           Senator Johnson.

16                   OPENING STATEMENT OF SENATOR JOHNSON

17           Senator Johnson. Thank you, Madam Chair.

18           I do not think I can add a whole lot to that.

19           I think we are all aware of Senator Coburn's 2013  
20 Wastebook, in which this example of sponsoring NASCAR is No.  
21 46 in the Wastebook. It says that not a single person has  
22 joined the Army National Guard as a result of the \$136  
23 million spent sponsoring race legend, Dale Earnhardt, Jr.  
24 over the last five years of recruiting new members.

25           I am assuming that Senator Coburn has done a pretty

1 good job, and that is a true statement.

2 It goes on to say, with a shrinking defense budget,  
3 this is one case of spending that might be ready for the  
4 caution flag.

5 I agree with that.

6 And I am assuming--I am hoping--at this hearing we are  
7 going to hear that this marketing technique is going to be  
8 ended.

9 And I think what I am primarily going to try and get  
10 out of this hearing is what are we going to be doing to  
11 evaluate other dollars spent to recruit, which--obviously,  
12 we have to recruit, and we want to be supportive of those  
13 efforts, but we need to measure the effectiveness of  
14 whatever dollars we do spend.

15 This is one that I think should really, like I say, get  
16 the caution flag.

17 Thank you, Madam Chair.

18 Senator McCaskill. Thank you, Senator Johnson.

19 At this time, we will proceed with testimony from our  
20 witnesses. Let me introduce them.

21 Major General Judd Lyons is the Acting Director of the  
22 Army National Guard. As Acting Director, he guides the  
23 formulation, development and implementation of all programs  
24 and policies affecting the Army National Guard, a force of  
25 over 355,000 soldiers across the country. Prior to assuming

1 his position in January this year, he served as the Deputy  
2 Director of the Army National Guard.

3 Kathy Salas is the Principal Assistance Responsible for  
4 Contracting for the National Guard Bureau. In this  
5 position, Ms. Salas executes, oversees and manages all  
6 delegable contracting and grant assistance authority for the  
7 Chief of the National Guard Bureau. Ms. Salas has been a  
8 contracting professional for 30 years and is a veteran of  
9 the U.S. Army and the U.S. Army Reserves.

10 I would like to thank both of you for your service to  
11 our Nation; we appreciate that.

12 It is the custom of this Subcommittee to swear all  
13 witnesses, if you would stand.

14 In whatever manner you are comfortable, do you swear  
15 that the testimony you will give before this Subcommittee  
16 will be the truth, the whole truth and nothing but the  
17 truth; so help you, God?

18 General Lyons. I do.

19 Ms. Salas. I do.

20 Senator McCaskill. Let the record reflect that both  
21 witnesses have answered in the affirmative.

22 We are going to be using a timing system today. We are  
23 hopeful that your testimony will be no more than five  
24 minutes. But, if it goes over, that will not be a problem,  
25 so take all the time you need.

1           And we will begin with you, Major General.

1           TESTIMONY OF MAJOR GENERAL JUDD H. LYONS, ACTING  
2           DIRECTOR, ARMY NATIONAL GUARD, NATIONAL GUARD  
3           BUREAU

4           General Lyons. Chairman McCaskill, Ranking Member  
5     Johnson, I appear before you today, representing more than  
6     355,000 soldiers in the Army National Guard. I am here to  
7     provide information on the Army National Guard's marketing  
8     programs, particularly sports-related sponsorships and  
9     marketing, including their history, purpose, costs and  
10    effectiveness.

11          I arrived in July 2013 as the Army National Guard  
12    Deputy Director after having previously served as the  
13    Adjutant General for Nebraska.

14          I have been the Acting Director since late January. In  
15    this time, it became apparent to me that management controls  
16    and oversight were not where they needed to be.  
17    Accordingly, I initiated actions to improve our acquisition  
18    processes, our organizational structure and accountability.  
19    These actions are applicable to sports sponsorships.

20          I share the Subcommittee's concerns. They are my  
21    concerns, and I pledge my support to ensuring the utmost  
22    fiscal stewardship of taxpayer monies.

23          I know the Subcommittee is well aware of the recruiting  
24    the Army National Guard faced in the mid-2000s as well as  
25    the extraordinary gains in accessions. This successful

1 strength increase cannot be attributed to any single  
2 program. However, the implementation of the Army National  
3 Guard's national marketing and branding coincides with our  
4 successes in strength stabilization, accession and retention  
5 of quality soldiers.

6 The National Guard began sports sponsorships and  
7 marketing programs to increase awareness of the Guard as  
8 part of its overall recruiting strategy. The goal was to  
9 reach a large demographic of those likely to serve in the  
10 military.

11 A key aspect of this population is an interest in  
12 sports. Sixty-seven percent are sports fans. NASCAR, in  
13 its base of 77 million fans, is second only to the NFL in  
14 its broad reach of those likely to serve.

15 However, sports sponsorship is just one component of  
16 our overall branding and marketing strategy. Its impact is  
17 not limited to what happens on the day of a race or at a  
18 particular track.

19 Activities related to sports marketing take place  
20 before and after the races and hundreds of miles from sports  
21 locations. For example, awareness of the Army National  
22 Guard is amplified by social media, schools' programs and  
23 public events involving demonstration cars.

24 America's youth who are interested in military service  
25 have many choices. Increasing awareness of the Army

1 National Guard is important to us.

2 At its peak, the Army National Guard had six sports  
3 sponsorships but currently has only two--NASCAR and IndyCar.  
4 Programs were terminated for a variety of reasons, including  
5 other budget priorities and feedback from the states.

6 From FY '10 to FY '14, we reduced our marketing budget  
7 by 35 percent. Specifically, our professional sports  
8 sponsorships were reduced from \$71 million to \$44 million,  
9 which is a reduction of 38 percent.

10 In 2014, the Army National Guard spent \$32 million on  
11 NASCAR and \$12 million on IndyCar sponsorships.

12 Beyond national media exposure, the NASCAR and IndyCar  
13 Series efforts have other impacts. These programs are  
14 projected to lead to engagements with 35,000 high school  
15 students in our science, technology, engineering and math  
16 program in 2014.

17 Demonstration cars from NASCAR and IndyCar, branded  
18 with the National Guard logo, travel to support recruiting  
19 events in local communities across the Nation. Recruiters  
20 want these demonstration cars at their events because they  
21 attract our target demographic.

22 My staff is currently reviewing all of our marketing  
23 programs, including NASCAR and IndyCar, for effectiveness  
24 and efficiency. Our assessment will include impressions,  
25 media value and engagements, and the relationship between

1 these professional sports programs and an individual's  
2 awareness of the National Guard.

3 I also continue to press for more specific data. In  
4 March, we initiated surveys at all 65 of our military  
5 entrance processing stations throughout the country to find  
6 out what influenced new recruits to join the Army National  
7 Guard.

8 We need to continue to explore ways to measure  
9 relevancy of our programs. I will carefully consider  
10 programs to ensure that they generate the intended effect.  
11 As a fiscal steward of taxpayer money, I want to ensure that  
12 we are applying our resources where they will best achieve  
13 intended outcomes.

14 Demographics change frequently; media options change  
15 constantly, and that is why we must review our marketing and  
16 sponsorship programs annually. As the new Acting Director,  
17 I will have the opportunity to do just that.

18 As I mentioned earlier, our overall processes,  
19 organizational structure and accountability were not where  
20 they needed to be. Because of this, I directed the creation  
21 of a new organizational entity to address these concerns.

22 The Army National Guard Acquisition Program Management  
23 Office is designed to ensure that programs are appropriately  
24 validated and managed. This initiative ensures that a  
25 rigorous requirement determination process is performed

1 separate and apart from the contracting process, consistent  
2 with law, regulation and policy.

3       Additionally, the APMO will ensure proper management  
4 and oversight of contracting officer's representative  
5 functions. I have mandated additional emphasis on training  
6 for contracting officer's representatives in addition to  
7 fiscal law training and annual ethics training.

8       In summary, I take very seriously my responsibilities  
9 as the Acting Director of the Army National Guard, and I am  
10 fully aware that the money that Congress authorizes the  
11 Guard belongs to the American taxpayers. That is why since  
12 I have been the Acting Director the due diligence I have  
13 applied includes reviewing and validating all requirements  
14 through a transparent and deliberate process.

15       In closing, I want to reiterate that I fully understand  
16 and deeply respect the responsibility entrusted to this  
17 Subcommittee, and I appreciate the opportunity to be here  
18 today, and I look forward to your questions.

19       [The prepared statement of General Lyons follows:]

20       / SUBCOMMITTEE INSERT

1           Senator McCaskill.   Thank you, General.

2           Ms. Salas.

1                   TESTIMONY OF KATHY A. SALAS, PRINCIPAL ASSISTANT  
2                   RESPONSIBLE FOR CONTRACTING, NATIONAL GUARD BUREAU

3           Ms. Salas. Thank you, Senator.

4           Senator McCaskill. Am I pronouncing your name right?

5           Ms. Salas. Salas, yes, Senator.

6           Good afternoon, Chairman McCaskill and Ranking Member  
7 Johnson. I am pleased to be here today to discuss this  
8 important issue.

9           My name is Kathy Salas, and I am the Principal  
10 Assistant Responsible for Contracting for National Guard  
11 Bureau. My responsibility is to provide oversight and  
12 administration for all National Guard Bureau contracts,  
13 grants and cooperative agreements.

14          I also entered my position in July of 2013. My  
15 previous assignment was with the Army Contracting Command as  
16 the Director of Contracting for the Letterkenny Army Depot.  
17 I have also served with the former Joint Contracting  
18 Command-Iraq/Afghanistan, the Defense Logistics Agency and  
19 the Defense Finance and Accounting Service.

20          I am here today to provide some insight into the  
21 National Guard Bureau acquisition and contracting programs.

22          When I arrived in this position, I found an  
23 organization that was not structured, staffed or trained to  
24 provide optimal oversight of the contracting functions. As  
25 an example, from 2003 to 2011, the operational contracting

1 workload increased in terms of contract obligations from  
2 \$190 million per year to over \$1 billion per year without a  
3 corresponding increase in staffing. This and other issues  
4 were identified by the Army Audit Agency in an audit of the  
5 contracting organization.

6 With this report and NGB senior leadership, we have  
7 been able to reshape the organization and chart a way ahead  
8 to ensure proper oversight.

9 We have replaced leaders in senior contracting  
10 positions and have realigned the contracting command to  
11 ensure that contracting decisions are made independent of  
12 undue influence.

13 We have implemented an annual training plan for the  
14 contracting workforce, and we continue to educate customers  
15 on ways to improve acquisition planning and on contracting  
16 processes.

17 We have conducted a 100 percent review of contracting  
18 officer warrants to ensure that only qualified personnel  
19 with the proper training, education and experience are  
20 warranted.

21 I hope today you will see that we acknowledge and share  
22 your concerns over reports of wasted abuse. I take my  
23 responsibilities as PARC seriously, and the National Guard  
24 Bureau is committed to the responsible stewardship of  
25 taxpayer dollars. I am confident that our improvements have

1   postured the National Guard Bureau for better oversight and  
2   management of our contracting enterprise.

3           And, in closing, I would like to thank the Chairman and  
4   the Ranking Member for the opportunity to be here today to  
5   discuss these important issues. I look forward to your  
6   questions.

7           [The prepared statement of Ms. Salas follows:]

8           / SUBCOMMITTEE INSERT

1 Senator McCaskill. Thank you very much.

2 And I know there has been an effort on contracting.

3 And there is no question that we exploded contracting  
4 throughout the military without the requisite surge we  
5 needed in acquisition personnel, and we paid a very high  
6 price for it as a country.

7 Let me start with this; this is about contracting  
8 oversight, so I want to start with specific questions about  
9 the contracting.

10 I understand that you have a large, full-scale  
11 advertising contract with a company called LM&O. This  
12 includes direct marketing, social media and sports  
13 sponsorships. Have I accurately characterized that?

14 Ms. Salas. That is correct, Senator.

15 Senator McCaskill. But the sports sponsorships are  
16 done with a subcontract through Docupak, who was the same  
17 contractor for the now infamous Recruiting Assistance  
18 Program. Is that correct?

19 Ms. Salas. That is correct, Senator.

20 Senator McCaskill. Can you explain why you cannot  
21 contract directly with NASCAR and why we need these middle  
22 men?

23 Ms. Salas. I am not aware that NASCAR--that we are  
24 capable of contracting directly with NASCAR.

25 Docupak--the contracts were awarded through a

1 competitive process. And, although Docupak was also the  
2 subcontractor or the contractor for G-RAP, we have not found  
3 any improprieties necessarily for Docupak.

4 So, again, the competitive process was used. And, as  
5 the subcontractor we do not have privity of contract with  
6 them, so we did not determine them to be the subcontractor.

7 Senator McCaskill. But I am curious as to why. I am  
8 always--whenever I look at contracting and I see layers, I  
9 always want to know why and why is that of value to us, the  
10 government that is contracting.

11 So why is there a value to have a contract that is  
12 supposed to include sports sponsorship? Where is the value  
13 in paying another layer of contractor under that?

14 Is that something you need to take for the record, or  
15 can someone explain to me how that came about--why we would  
16 have--because I guarantee you they are both making money off  
17 of it.

18 Ms. Salas. I do not disagree, Senator.

19 I will have to take that for the record. I am not sure  
20 what the process was before I got here, the decisions that  
21 were made, but I would take that for the record.

22 Senator McCaskill. Now let's put on the record how  
23 long you have been in your respective positions because I  
24 want to make sure it is very clear that some of the problems  
25 we are talking about were not your decisions.

1           General Lyons. Yes, ma'am. I came to National Guard  
2 Bureau in July of 2013, late July of 2013. I have been the  
3 Acting Director since January 21st of this year, 2014.

4           Senator McCaskill. Okay. And you, Ms. Salas, how long  
5 have you been in your position?

6           Ms. Salas. I also took my position in July of 2013,  
7 Senator.

8           Senator McCaskill. So you all have been there for less  
9 than a year.

10          General Lyons. Yes, Senator.

11          Senator McCaskill. Okay. Let's talk about  
12 effectiveness.

13          You need to recruit, I believe, around 50,000 soldiers  
14 a year. Is that correct, General?

15          General Lyons. Yes, Senator.

16          Senator McCaskill. And, in order to generate those  
17 recruits, you need to generate about a million leads to get  
18 to the 50,000 that will make it across the finish line.

19          General Lyons. Senator, I do not know where the figure  
20 of a million leads comes from. I would need to come back to  
21 you on that to validate that.

22          Senator McCaskill. Okay. I think we got it from you.

23          General Lyons. Okay.

24          Senator McCaskill. But please feel free to check it  
25 and get back to us if that is an incorrect number.

1           How many actual recruits or leads has the NASCAR  
2 program brought in?

3           General Lyons. Senator, as the relatively new Acting  
4 Director, the sports sponsorships are a new issue for me as  
5 well.

6           And tying sports sponsorships like NASCAR and IndyCar,  
7 which we view as branding programs that raise awareness of  
8 the National Guard in the communities, trying to tie that  
9 awareness directly down to an individual's decision--  
10 affirmative decision--to join the National Guard is elusive,  
11 and I share your concern about that.

12          That is why as I look ahead here I want to evaluate  
13 these programs, all of them, as we look ahead into FY '15,  
14 to come up with what are the measures of effectiveness and  
15 how can I apply them and the staff do an analysis that they  
16 are, in fact, achieving the intended effect, and I am  
17 committed to doing that.

18          Senator McCaskill. In fact, I believe I am correct in  
19 saying that there has never been an analysis for  
20 alternatives in this regard since this sponsorship of NASCAR  
21 began. Is that correct?

22          General Lyons. Not to my knowledge, Senator, not  
23 during my tenure.

24          I cannot speak for in the past whether any analysis of  
25 alternatives--

1           Senator McCaskill. We have asked, and we have not been  
2   able to locate any analysis that was ever done, comparing  
3   the relative benefits of this sponsorship versus other  
4   marketing.

5           General Lyons. Yes, ma'am, I can take that for the  
6   record--

7           Senator McCaskill. That would be great.

8           General Lyons. --and see if we can find that out.

9           Senator McCaskill. What is the most effective program  
10   you have in generating leads and recruits?

11          General Lyons. Senator, we have a variety of programs,  
12   as you alluded to in your statement.

13          We spend approximately a third of our marketing and  
14   advertising budget in sports sponsorships and sports  
15   marketing. The other two-thirds are in lead-generating  
16   activities. So amongst those, we have national media; we  
17   have marketing support; we have advertising support and then  
18   state media.

19          So, in terms of lead generation in those categories,  
20   the highest number comes from our national media efforts.

21          Senator McCaskill. And how much do you spend on that  
22   annually--the one that generates the most leads?

23          General Lyons. Senator, our national media campaign  
24   was about 40 and a half million dollars--\$40,005,000.

25          Senator McCaskill. And what was the total for sports

1 sponsorships?

2 General Lyons. Sports sponsorships is \$44 million.

3 The entire sports marketing is \$56 million and some change.

4 Senator McCaskill. Okay. Let me ask this; when does  
5 the decision--have you made a decision on this contract yet  
6 in your position, General?

7 General Lyons. Senator, I--

8 Senator McCaskill. Do you have this as a decision item  
9 since you have taken command?

10 General Lyons. No, Senator. My first opportunity to  
11 do that is in the very near future. I have tasked the staff  
12 to do an analysis of all of our programs, including sports  
13 sponsorship programs, and bring that to me so that I can  
14 make a decision about the road ahead.

15 Senator McCaskill. Okay, Senator Johnson.

16 Senator Johnson. General Lyons, what--in total, how  
17 much does the Guard spend on recruitment a year?

18 General Lyons. Senator, our marketing budget for FY  
19 '14 is \$120 million and about \$53,000--\$123,053,000.

20 Senator Johnson. That is marketing.

21 What do you spend on recruitment?

22 General Lyons. Senator, I would have to take that for  
23 the record to get the entire figure for you, if that is all  
24 right.

25 Senator Johnson. You said you were going to evaluate

1 the effectiveness of the programs. What are you looking for  
2 in terms of metrics for evaluation?

3 General Lyons. That is an area of interest to me,  
4 Senator. With branding programs, a typical measure of  
5 effectiveness is in terms of impressions and also the media  
6 value associated with those impressions. I am interested in  
7 other metrics that can be gleaned to assess the  
8 effectiveness of these programs, and that is what I have  
9 tasked the staff to look at.

10 Senator Johnson. Okay. I saw that, too--the  
11 impressions versus media value. Can you just explain that  
12 to me? What do you mean by impressions and media value?

13 How is that--in other words, I am seeing here, 11  
14 million--actually, 11 billion impressions, \$102 million  
15 worth of media value. Just explain that to me.

16 General Lyons. Senator, that is what I am interested  
17 in. If a measure of effectiveness in sports marketing or  
18 sports sponsorship is impressions, how many impressions are  
19 gained?

20 In other words, how many times is National Guard shown  
21 to the population--and then what the associated media value  
22 is?

23 I am not--

24 Senator Johnson. Is media value what you spent?

25 General Lyons. So media value would be calculated, as

1 I understand it, on the cost of that same impression if it  
2 were purchased. That is my understanding.

3 Senator Johnson. So you are spending \$120 million on  
4 advertising, and then you are backing into the value of that  
5 by saying how many impressions that is and what the media  
6 value is.

7 I mean, is the media value what you spend on it?

8 [No response.]

9 Senator Johnson. I am sorry if I sound a little  
10 confused here, but--

11 General Lyons. No, that is fine, Senator.

12 And that is why as I came into the position I am  
13 interested in evaluating these programs. I would like to  
14 know what are good metrics to use to measure the  
15 effectiveness of sports sponsorship programs, and that is  
16 what I am focused in on.

17 Senator Johnson. My suggestion would be start with the  
18 number of people you have recruited and have a good solid  
19 figure on how many dollars you spend on recruitment. So  
20 that is why I first started out with how much do you spend  
21 on recruitment a year.

22 And then, have you taken a look at that over time so  
23 you have some level of history in terms of--you know, let's  
24 say in 2010 we spent \$100 million and recruited 50,000  
25 people; it cost X number of dollars per recruit.

1 I mean, do you have that?

2 I mean, do you ever see any information like that?

3 General Lyons. Senator, I will come back to you on  
4 that if I can, please.

5 Senator Johnson. Ms. Salas, do you have any idea in  
6 terms of what metrics are being used?

7 How do we measure the effectiveness of past recruitment  
8 programs versus today versus what we would anticipate  
9 effectiveness tomorrow?

10 Ms. Salas. Senator, that would not be my  
11 responsibility--to measure the effectiveness of a program  
12 that is managed by a requiring activity. So, no, I do not  
13 have that information.

14 Senator Johnson. I am not quite sure where I should be  
15 going from here.

16 General Lyons. So, Senator--

17 Senator Johnson. To me, this is--yes, I am an  
18 accountant. I am a business guy. I actually understand  
19 marketing.

20 To me, this is gobbledygook and what you need to be  
21 looking at is pretty basic in terms of measurement of  
22 effectiveness.

23 So it starts with overall what you spend and how much  
24 it costs per recruit. And then you start drilling down on,  
25 well, we are spending X number of dollars in this area, X

1     number in this, X number in that. And you start figuring  
2     out where the leads are.

3             So I am just not seeing in any of the briefing material  
4     here in terms of anything I can take a look at to evaluate  
5     the effectiveness of this.

6             General Lyons. Yes, sir, and I can provide to you the  
7     dollars that we spend in terms of lead generation  
8     activities, the number of leads associated with those  
9     activities.

10            In sports sponsorship, in terms of trying to tie the  
11     awareness of the Guard through these branding programs  
12     directly to an individual's decision to enlist is elusive.  
13     And I share your frustration with that, on how we get at  
14     that to assess the effectiveness of those two programs. So  
15     I am in agreement with you on that.

16            Senator Johnson. Is there an active program to be able  
17     to elicit the effectiveness of that, though?

18            I mean, is there actually an attempt to, okay, if we  
19     spend dollars here, what is going to be the measurement on  
20     that spending?

21            Have you noticed--again, I am not holding you  
22     accountable because you are new here. But, have you ever  
23     seen any attempt to do that, or do we just kind of spend  
24     money and go, well, we are no quite sure what happens after  
25     we spend it?

1           General Lyons. Senator, in terms of the program in the  
2 past, I am not aware of that.

3           I have, in March, tried to institute some metric-  
4 gathering through our military entrance processing stations,  
5 so as recruits come into those activities to enlist, to try  
6 and garner data on what it is that influenced them to join  
7 the Guard. So that is one measure that I have taken.

8           Senator Johnson. Describe those efforts to me in  
9 greater detail then. Are the recruiting stations developing  
10 a report, and then are they doing a survey?

11           Is this done 100 percent? Is it done to 10 percent of  
12 the recruits coming in? Do they take a statistical  
13 sampling?

14           General Lyons. Senator, I can provide you the details  
15 on what that looks like, but generally speaking, it is a  
16 questionnaire that the recruit answers about what influenced  
17 them to their decision to enlist and join. And  
18 NASCAR/IndyCar sports sponsorships are one of those choices.  
19 So that does help us get at that.

20           So I will provide that to you.

21           Senator Johnson. Well, first of all, that is a good  
22 idea. Is this really the first time the Guard has ever done  
23 that?

24           General Lyons. Senator, to my knowledge, this is the--  
25 I cannot talk to what has been done in the past.

1           Senator Johnson. Again, let me make a suggestion then.  
2 Find out whether they have done that in the past because  
3 there may be some good information for you to base future  
4 decisions on.

5           General Lyons. Yes, sir.

6           Senator Johnson. I would hope they have done that.

7           I mean, again, that is Marketing 101. You spend some  
8 money. Do a survey. Find out what did prompt somebody  
9 either to buy your product or walk in your door. Okay.

10          Well, good. Thank you.

11          Senator McCaskill. In looking at this, all of the  
12 active branches have rejected NASCAR over the last several  
13 years. Has there been any reach out to the analysis that  
14 the other branches have done in determining that this was  
15 not a good use of dollars?

16          General Lyons. Not to my knowledge, Senator.

17          Senator McCaskill. Have you--is there any joint effort  
18 on advertising for the military?

19          General Lyons. No, Senator. The Army National Guard  
20 does our own recruiting and advertising program for our  
21 enlistment for men and women to join us.

22          Senator McCaskill. It seems like to me--do you know  
23 why all the other active military components decided to not  
24 recontract with NASCAR?

25          General Lyons. I do not, Senator, other than what was

1 relayed by the Subcommittee.

2 Senator McCaskill. It is interesting to me because you  
3 guys do not have as much money as the Army has to market.  
4 You have very limited dollars compared to the Army.

5 So it is interesting to me, and you know we like to  
6 preach joint in terms of cost savings and working together.

7 It is interesting to me that another branch of the  
8 military with more money finds sponsoring NASCAR is not cost  
9 effective, but no one at the Guard would then look to see  
10 maybe we should look at their analysis.

11 Are you aware as to whether or not that ever crossed  
12 anyone's desk at the point in time--and when is this  
13 decision made, in what month?

14 General Lyons. The?

15 Senator McCaskill. The decision to do the contract for  
16 the year--what is the decision date for that?

17 General Lyons. I will be undergoing that analysis,  
18 receiving that analysis and reviewing all of these programs  
19 in the next probably month.

20 Senator McCaskill. Okay. So is the contract from June  
21 to June? Is it from July to July? Is it a fiscal year?

22 Does anybody know?

23 General Lyons. Senator, what--it goes from a seasonal  
24 basis. So the end of the racing season, I believe, is in  
25 November.

1           Senator McCaskill.   Okay.   So was the decision made for  
2   this season made last November?

3           General Lyons.   The decision for this current season  
4   would have been made approximately this time last year.

5           Senator McCaskill.   Okay.

6           General Lyons.   Relatively speaking, ma'am.   I was not  
7   here, but--

8           Senator McCaskill.   Okay.   I am trying to figure out  
9   when the Army pulled the plug after their analysis, which  
10   would have been full of great data for you to look at,  
11   because they obviously are looking at cost per lead and cost  
12   per impression.

13          And whether or not you are saying it is branding or  
14   whether it is recruiting, the only reason you are doing  
15   branding, other than the fact we want everyone to support  
16   the National Guard so employers are helpful to National  
17   Guard members--I mean, obviously, that is important, but the  
18   primary reason you want to brand it is so that we get 50,000  
19   people who step across the line and say I am willing to  
20   serve.

21          And it is just interesting to me that there would not  
22   be any cross-pollination, especially when you realize they  
23   have all dropped.   All of the branches have dropped, citing  
24   costs and ineffectiveness, and yet, this analysis had not  
25   even been undertaken until you showed up.

1           Let's talk a little bit about recruiting women. Are  
2   you aware of any of the contracts that you all have that are  
3   geared toward recruiting women to the Guard?

4           General Lyons. Senator, with regards to recruiting  
5   women to the Guard, on a personal basis, I can say I have  
6   done my part. I recruited by spouse, Amy, to join the Guard  
7   in 1994.

8           Senator McCaskill. Now I hope that was not heavy  
9   lifting.

10          General Lyons. No, no, it was not. It was not.

11          We actually pride ourselves on being an inclusive  
12   organization and reflective of the communities where we  
13   serve, and so I am happy to report that the number of women  
14   serving in the Army National Guard has actually gone up 40  
15   percent between 2000 and 2014.

16          In 2000, there were 40,000 women in the Army National  
17   Guard. In 2014, there is 56,000. So, a 40 percent  
18   increase.

19          Within our accessions, in 2000, women represented 18.2  
20   percent of our accession in that year. In 2014, that has  
21   gone up 40 percent to 22.2 percent.

22          So we are very interested in offering opportunities to  
23   all members of society, and I think our growth in attracting  
24   women to our ranks--

25          Senator McCaskill. That is terrific, and I am glad to

1     hear that. I am just curious, as you are developing.

2             And the branch, the command, that actually does this is  
3     what, and who is the leader of that? Who actually does the  
4     G-RAP program and the marketing program? And I know it is a  
5     special bureau within the Guard.

6             General Lyons. Senator, the marketing and advertising  
7     and the recruiting is, in the Army National Guard, in an  
8     organization called GSS, Guard Strength.

9             Senator McCaskill. Guard Strength, okay.

10            Within Guard Strength, are you aware of any of the  
11    marketing tools or any of the efforts that have been made in  
12    terms of national media where there has been an emphasis on  
13    trying to get at the women's demographic because, clearly,  
14    it ain't NASCAR or Indy?

15            General Lyons. Senator, our marketing and advertising  
16    products that we use--

17            Senator McCaskill. Although I should say 40 percent of  
18    NASCAR fans are women. That is a lot.

19            General Lyons. That is true, Senator.

20            Senator McCaskill. So I do not want to diss the women  
21    that love NASCAR because some of them are my family members.  
22    So I would be in big trouble if I let that statement stand.

23            But, go ahead. I am sorry to interrupt you.

24            General Lyons. No, that is fine, Senator.

25            What I was saying was that our marketing tools, you

1 know, print media or what we would know as public service  
2 announcements, which we call noncommercial sustaining  
3 agreement, our web sites--we are--again, we want to be  
4 reflective of society where we serve. So you will see women  
5 in leadership roles, being reflected in duty positions or  
6 specialties that may not be their traditional specialties  
7 that someone may associate.

8 So we do that.

9 Senator McCaskill. That is great. That is great.

10 General Lyons. I might also add that we--within the  
11 sports arena, we work with girls' soccer, volleyball and  
12 basketball.

13 And, again, in relation to your question about  
14 attracting women, we do find that in our direct mail  
15 campaigns that women do respond favorably to those efforts.

16 Senator McCaskill. That is great.

17 I know that 40 percent of NASCAR fans are women and 28  
18 percent of IndyCar fans are women, and so I am glad that you  
19 are working--and these are through high schools that you are  
20 doing the soccer and volleyball programs?

21 General Lyons. Yes, Senator.

22 Senator McCaskill. Great. Do the sponsorship programs  
23 include perks for senior Guard officers and officials?

24 General Lyons. Senator, the sports sponsorship  
25 programs in the past were fairly broad in terms of the

1 execution of the program and who could participate in the  
2 program. That is something that--when I became the Acting  
3 Director, I took an immediate step to curtail that so that  
4 the access to the events were primarily directed towards  
5 potential applicants.

6       So, in the past, it was within the scope of the  
7 contract and the policy to allow senior leaders to  
8 participate, but as the Acting Director I have made a  
9 determination that a better use of that program is to target  
10 it towards potential applicants.

11       Senator McCaskill. Have you ever been to one of the  
12 NASCAR or IndyCar races?

13       General Lyons. I have never attended either.

14       Senator McCaskill. Do you know what senior officers  
15 have gone and how often?

16       General Lyons. I do not.

17       Senator McCaskill. And is that information available?

18       General Lyons. I will take that for the record,  
19 Senator.

20       Senator McCaskill. Okay. What policies are there in  
21 place now to ensure these programs are not abused by  
22 officials who want the perks associated with the  
23 sponsorships?

24       General Lyons. Senator, that has been a focus of mine--  
25 --is improving our management controls and our

1    accountability.  So we have, as I said, issued guidance to  
2    the field that restricts the access to these programs to  
3    those applicants, and that went out in March, shortly after  
4    I became the Acting Director.

5           Senator McCaskill.  Do you--if you were going to rank  
6    professional sports sponsorships--let's assume for purposes  
7    of this discussion that your budget for this area of  
8    recruitment and marketing was going to be cut by a third.  
9    Can you rank what you spend on--what you spend that money on  
10   now as to what would fall off the table at this hearing  
11   today?

12          General Lyons.  Senator, I think my approach towards  
13   that is we need to have awareness of the National Guard.  We  
14   need to create that awareness; we need to sustain that  
15   awareness of the National Guard, so that men and women who  
16   have a propensity to serve know that we are an option for  
17   them.

18          So, if these programs were not available, my focus  
19   would be to determine what--some other vehicle that can  
20   create that awareness and sustain that awareness of the  
21   National Guard.

22          So that would be my focus, and I would apply those  
23   dollars towards that.

24          Senator McCaskill.  I guess what I am trying to get you  
25   to do is to look at the list that you spend money on.  You

1 have got a list, I know, there in front of you somewhere.

2 And I am asking you to do your spending priorities.

3 What do you think that you spend money on now in this  
4 regard that is the most important, and what do you think is  
5 the least important of the money that you spend now and the  
6 activities that you spend it on?

7 General Lyons. So I think, Senator, generally  
8 speaking, you know, with about a third of the marketing and  
9 advertising budget going towards branding, awareness, those  
10 activities, and two-thirds, approximately, going towards  
11 lead generation, that is an area that I need to analyze  
12 specifically to your question. Is that the appropriate  
13 balance between those two activities?

14 Senator McCaskill. Well, if--you know, I guess this is  
15 getting back to Senator Johnson's confusion.

16 You have national advertising, and you have sports  
17 sponsorship.

18 Now I guarantee you I could get ad people in this room  
19 that say national advertising is branding because you are--  
20 you know, while you are tailoring where the ad is run for a  
21 demographic, obviously, you are getting a wide swath of  
22 people, many of whom are not within your demographic.

23 So are you calling national advertising, branding, or  
24 are you calling it recruiting?

25 General Lyons. I think it is ultimately--sports

1 sponsorships, branding, lead generation, national campaigns-  
2 -those are all part of our recruiting strategy. They are  
3 all components of that.

4 What we characterize sports sponsorships and sports  
5 marketing as is branding and awareness-generating  
6 activities. The other two-thirds, our national campaigns,  
7 are lead-generation activities.

8 Senator McCaskill. I guess it is hard for a lay person  
9 to see how having your name associated with a NASCAR is  
10 brand awareness and an ad on an action show, where young men  
11 and women are maybe watching it--how one is lead-generating  
12 and recruiting and one is just brand awareness.

13 I mean, they are both intangibles in terms of people  
14 seeing something, getting an impression from it and deciding  
15 whether or not they want to act on it, no different than  
16 buying a product. And that is, of course, why Coca-Cola  
17 puts their name on NASCARs because they want people to buy  
18 Coca-Cola. And that is why other people that sell things  
19 put their names on NASCARs or IndyCars.

20 So I guess if you are saying that you have a third for  
21 branding and the rest is recruiting, I do not understand how  
22 national advertising gets in the recruiting pot and how  
23 NASCAR does not and how you can justify the fact that nobody  
24 is getting recruited from the NASCAR.

25 I mean, the facts speak for themselves. The data are

1 very clear. You are not getting recruits off NASCAR.

2 And these are data that you gave us. We did not--the  
3 reason we know this is because you told us.

4 So I guess I am curious why you are not willing to say  
5 that if you were forced to spend less that this is not  
6 something that you would immediately look at in terms of  
7 deciding this is not the best use of the money.

8 General Lyons. Senator, I did not mean to convey that  
9 I am unwilling to say that.

10 What I was trying to convey was I am trying to analyze  
11 these programs for exactly the reasons you are saying. You  
12 know, are they achieving the intended effect? Are they the  
13 best use of our taxpayer dollars? And is that the right  
14 thing to be doing?

15 These are things that I am considering right now as the  
16 Acting Director, as a path forward. So I am in agreement  
17 with you on that, that I need to do that, and I am committed  
18 to doing that.

19 Senator McCaskill. Can you pinpoint the people who  
20 made the decision to do the NASCAR and Indy branding  
21 sponsorship in the first place?

22 General Lyons. Senator, I mean, it goes back 10-plus  
23 years. So the ultimate decision, though, on these programs  
24 rests with the Director of the Army National Guard.

25 Senator McCaskill. Okay. And through recommendations

1 from the Guard Strength Services?

2 General Lyons. Yes, Senator.

3 Senator McCaskill. So they would make a recommendation  
4 up, and then the Director would either acquiesce to that  
5 suggestion or decide not.

6 General Lyons. I think that would be accurate.

7 Senator McCaskill. And it would be up to the Director  
8 to ask the questions to determine whether or not this was a  
9 good use of money.

10 General Lyons. That is absolutely my methodology,  
11 Senator.

12 Senator McCaskill. Right. Or, require analytics to  
13 actually look at how effective the money will actually be.

14 General Lyons. That is absolutely my methodology and  
15 my focus.

16 Senator McCaskill. So this contract has been renewed  
17 if it began, I believe, since--2007 was the first year?

18 General Lyons. I believe, Senator, it was either 2003  
19 or 2005. I apologize. We will come back to you on that.

20 Senator McCaskill. Okay. How many directors have  
21 there been of the Guard since that point in time?

22 General Lyons. Senator, can I come back to you on that  
23 also?

24 Senator McCaskill. Is it four or five?

25 General Lyons. I would say probably four.

1           Senator McCaskill. I was going to say four. I thought  
2 it was probably four.

3           And we will correct that exactly for the record, but I  
4 want the record to be clear that you have four predecessors  
5 who would have had the opportunity to ask for analytics, who  
6 would have had an opportunity to do the evaluation that the  
7 other branches have done, who would have had a decision  
8 point about whether or not to continue, and that all four of  
9 those decided that was not important, and they signed off on  
10 it.

11           Is that an unfair characterization of what has  
12 occurred?

13           General Lyons. I think they all would have had the  
14 opportunity to assess the program and make a decision.

15           Senator McCaskill. Okay. Is there anything that you  
16 would like to add to the record that I have not asked you  
17 about today?

18           General Lyons. Senator, again, as a relatively new  
19 Acting Director, these sports sponsorship programs are  
20 relatively new to me as well. I am keenly interested in  
21 trying to determine the most appropriate course of action  
22 for the road ahead. I want to see metrics. I want to see  
23 analytics. I want to be the most effective steward of  
24 taxpayer resources that I can be.

25           I have taken aggressive measures to institute

1 management controls in the organization, increase the level  
2 of training, in conjunction with Ms. Salas, of our  
3 contracting officer's representatives and program managers,  
4 emphasize fiscal law--purpose, time and amount--you know,  
5 continue to arm our people with the tools they need to be  
6 successful.

7 That is where I am focused in taking us--and making the  
8 best possible decisions for the organization that continues  
9 to attract men and women to our formations.

10 Senator McCaskill. And this will be the last question  
11 I ask, but I know you said that you have changed, or in the  
12 process of changing, policies about accessing perks  
13 associated with this program.

14 Do you believe that one of the reasons there was not a  
15 hard look at this is because the leadership of the Guard  
16 enjoyed the perks associated with the program?

17 General Lyons. Senator, I do not think I could comment  
18 on what previous leaders thought with respect to that.

19 I know that the program, as it existed, had a broad  
20 range of parameters for who could participate in the  
21 program. It was part of the contract, part of the policy.

22 I have chosen to restrict that so that it is focused,  
23 in my opinion, in a better direction, which is towards  
24 applicants and the public.

25 Senator McCaskill. Have you reviewed the contract that

1 would indicate to you that there was embedded in the  
2 contract terms the contractual language that would indicate  
3 that these perks were open to anybody in Guard leadership?

4 [No response.]

5 Senator McCaskill. Well, you said that the reason this  
6 occurred in the past was because it was in the contract.

7 Is there specifics in the contract that embrace the  
8 notion that these--that the perks associated with the  
9 contract were appropriately or were envisioned, being, used  
10 by Guard leadership?

11 General Lyons. Senator, I would have to take that for  
12 the record, to look backwards at that.

13 Senator McCaskill. What I would really like to see is--  
14 -you know, you have made this statement; you know, it was  
15 the policy in the contract that allowed that. I want to see  
16 the specifics of the contract that have led you to that  
17 conclusion.

18 General Lyons. Senator, what I was trying to  
19 articulate was that in the execution of the program there  
20 was broad characterization of people that could participate  
21 in the program. You know, from centers of influence to Army  
22 National Guard personnel to potential recruits, recruiting  
23 and retention personnel, obviously.

24 So that is what I was trying to articulate.

25 Senator McCaskill. Okay. If there is anything that is

1 in writing anywhere that would lay out the parameters of  
2 that, whether it is in the contract or written in any policy  
3 anywhere, that would be really important for our Committee  
4 to see.

5 If this was just an amorphous policy that was floating  
6 out there, that is one thing. But if there is--that would  
7 be unusual in the military, for there to be something  
8 floating out there and it not be put in writing.

9 So I would--certainly, this Committee would be very  
10 interested in seeing whatever policy or contractual  
11 provisions that would have led someone to believe that the  
12 perks of this contract were widely available to Guard  
13 leadership. Okay?

14 I thank you both for being here very much.

15 We will look forward to your completing the record  
16 based on the items we have talked about today. And the  
17 record will remain open for a few days in case there are  
18 other questions for the record, and we will be in contact  
19 with you about that.

20 General Lyons. Thank you, Senator.

21 Senator McCaskill. Thank you again, both, for your  
22 service.

23 [Whereupon, at 3:57 p.m., the Subcommittee was  
24 adjourned.]